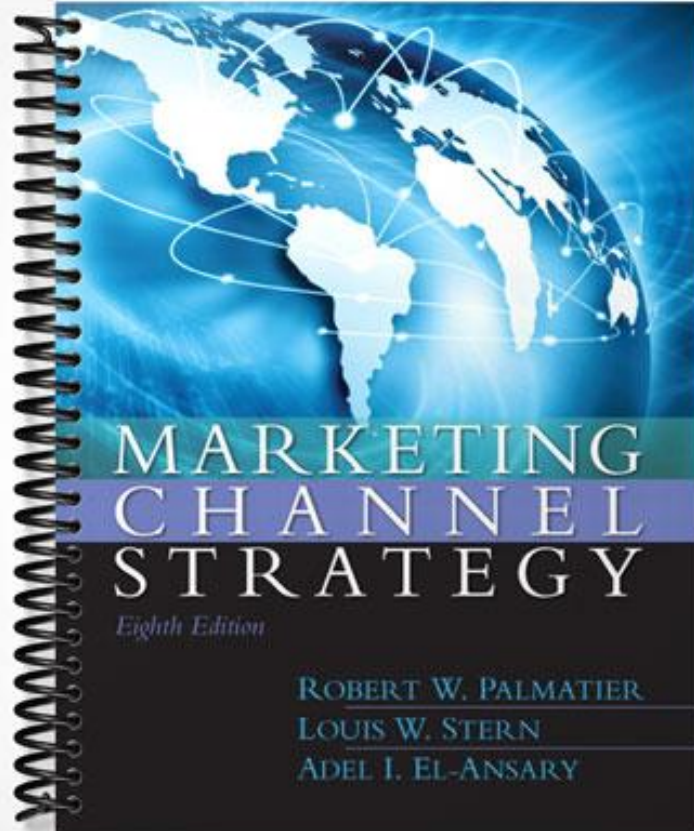


**SOLUTIONS MANUAL**



**MARKETING  
CHANNEL  
STRATEGY**

*Eighth Edition*

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# **INSTRUCTOR'S MANUAL**

**for**

## ***MARKETING CHANNEL STRATEGY*** **8<sup>th</sup> EDITION**

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# PREFACE

This Instructors' Manual provides the instructor with an example course syllabus and insights into how to teach a course on marketing channels. Many schools around the world offer a channels course (under a variety of names) at all levels, including executive seminars. Such a course particularly appeals to those interested in marketing strategy, entrepreneurship, marketing management, general management, or consulting (as channels issues are at the heart of many consulting assignments). A channels course also dovetails well with courses in supply chain management or sales force management, as distribution channels are a critical part of supply chains and sales force management is the heart of channel management for many industries. Finally, a channels course fits well with Business-to-Business (B2B) marketing, as channels, rather than advertising, are basic ways to create awareness. This Instructor's Manual is useful both to those who already teach a “routes-to-market” course and to those who are doing so for the first time.

We first present an example of a course syllabus to use for marketing channel strategy or a related course. Next we provide a detailed outline of the book, with learning objectives and take-aways, to guide the instructor through topics of relevance to the course. Finally, the manual also includes a complete set of slides for each chapter. Each chapter's 30 to 40 slides provide sufficient material for a 1.5-hour course lecture and mirror the material for that specific chapter.

We hope that you, the instructor, will find this manual helpful. Any comments, advice, or feedback will be greatly appreciated. Rob Palmatier will collect it to use in revising these materials for future editions.

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**August 2013**

# **PART I.**

## **PLANNING A COURSE IN MARKETING CHANNEL STRATEGY**

***Marketing Channel Strategy, 8th Edition*** serves as a stand-alone text for executive, graduate, and undergraduate courses and seminars in:

Marketing Channel Strategy  
Marketing Channels  
Distribution Channels  
Marketing Systems

The contents of the course may vary from one school to the other, depending upon whether separate courses in retailing, wholesaling, supply chain management, and physical distribution/logistics are offered. Some channels courses are based on the case method, while others are based on project assignments or experiential learning (involvement) exercises.

In addition, as is the ongoing trend, chapters from this text can be used to supplement other courses, which covers some aspect of marketing channel strategy including:

Business-to-Business Marketing  
Service Marketing  
Marketing Strategy  
Sales Management  
International Marketing  
E-Commerce

***Marketing Channel Strategy, 8th Edition*** is written:

- With a large number of fully explained examples, most of them set apart in easy-to-read boxed text
- In international English, without idioms, assuming no familiarity with the markets, companies, products or services used as examples
- In a modular fashion, so that the instructor can assign any chapter in any order and skip any chapter without loss of clarity (material is generously cross referenced and explained as it appears)
- One chapter per topic, to make it easy to fit each chapter to a syllabus
- Clearly labeled sections within each chapter, so that an instructor need not assign entire chapters to match specific topics
- With a decision focus and full explanation of all terms, using a minimum of technical terms
- Summarizing the state of the art, thoroughly referenced
- Up-to-date in research, in practice, and in examples

The 8<sup>th</sup> Edition is designed in four stand-alone parts, generously cross-referenced to give the instructor flexibility. Beyond this modular design, the four major parts of this book reflect some overriding themes. Part I consists of just one chapter, which introduces the basic ideas and concepts underlying channel strategy. To help channel managers design a strategy and then manage it over time, Chapter 1 addresses some central channel questions:

- Why are marketing channels important?
- What is a marketing channel strategy?
- Who participates in a marketing channel?
- Why do marketing channels exist?
- What are the key functions performed by marketing channels?

The answers suggest that a marketing channel strategy entails three stages: (1) analyzing and designing, (2) benchmarking, and (3) implementation or management. Parts II–IV addresses each of these stages in turn.

In particular, Part II, Designing Channel Strategies, comprises four chapters that describe how to align the needs of upstream and downstream members of the channel to enable all the parties to work together to meet target end-users' demands, at minimum cost. We start with a detailed discussion of how to employ an end-user analysis to segment markets, in accordance with end-users' needs, and then select certain segment(s) to target (Chapter 2). In Chapter 3, we outline methods for evaluating existing channels by auditing their efficiency and potential service or cost gaps. These two analysis steps lead into the task of determining whether to perform channel functions in-house or outsourced, so Chapter 4 describes the make-or-buy channel analysis. Finally, we summarize the design phase, as it appears with regard to three design questions: the degree of channel intensity, the mix of channel types, and the use of dual distribution (Chapter 5).

With Part III, Channel Structure and Strategies, we provide the means for channel managers to understand some of the most common channel structures and strategies: retailing (Chapter 6), wholesaling (Chapter 7), and franchising (Chapter 8). With such an understanding, managers can identify best practices to integrate into their new or revised channel systems, as well as compare their own channel structure and strategy with previously developed channel systems. This section thus provides lessons learned by previous channel managers, helps today's readers avoid the same common mistakes, and allows them to take advantage of known channel efficiencies. Finally, Chapter 9 offers guidelines to help managers address and design creative, emerging channel structures and strategies, in accordance with constantly changing business environments.

Finally, Part IV, Implementing Channel Strategies, focuses on the five factors that lead to an optimal channel management and help ensure ongoing channel success. Specifically, channel managers need to identify and work with the source of each channel member's power and dependence (Chapter 10), as well as recognize and avoid potential channel conflict (Chapter 11), so that they can build and maintain good working relationships among channel partners (Chapter 12). The last two chapters detail how to manage channel policies and legalities (Chapter 13) and logistics (Chapter 14), and thus maintain the effectiveness and efficiency of the channel system.

Thus, the instructor will find a natural flow of topics through the chapters of the book that lead the student through a logical process of analysis to a point where s/he can apply the channel framework to any pre-existing or newly-designed channel. However, any chapter can be skipped, chapters can be assigned in any order, and **every chapter stands alone**. This text is a desk reference for managers, lawyers, and public policymakers. It is encyclopedic in its coverage, but written to be clear to a practicing manager who does not have the time to read the

entire text front to back. Instructors can assign as many or as few of the fourteen chapters as they wish, but the more chapters are covered, the more the student will see connections and reinforcement across them.



# FRAMEWORK FOR DESIGNING AND IMPLEMENTING CHANNEL STRATEGY

## Analyzing and Designing Channel Structures and Strategies

### Analysis Phase

- End-user Analysis: segmenting and targeting end-user groups (Chapter 2)
- Channel Analysis: auditing channels and identifying channel gaps (Chapter 3)
- Make Versus Buy Analysis: determining if channel functions should be done in-house or outsourced to channel partners (Chapter 4)

### Decision Phase

- Design Channel Structure & Strategy: focuses on making three key design decisions (degree of channel intensity, mix/identity of channel types, and use of dual distribution) and closing service and cost gaps (Chapter 5)



## Benchmarking Traditional & Emerging Channel Systems

Compare and contrast “new” channel structure and strategy to traditional and emerging channel systems to identify best practices and opportunities for improvement

- Retailing Channel Structures and Strategies (Chapter 6)
- Wholesaling Channel Structures and Strategies (Chapter 7)
- Franchising Channel Structures and Strategies (Chapter 8)
- Emerging Channel Structures and Strategies (Chapter 9)



## **Implementing Channel Strategies**

Implement channel structures and strategies by addressing five key success factors for effective channel management

- Managing Channel Power (Chapter 10)
- Managing Channel Conflict (Chapter 11)
- Managing Channel Relationships (Chapter 12)
- Managing Channel Policies and Legalities (Chapter 13)
- Managing Channel Logistics (Chapter 14)

## **PART II.**

# **EXAMPLE SYLLABUS FOR MARKETING CHANNEL STRATEGY**

| Session                                  | Topic  | Readings                                      |
|--|--|---|
| <b>Introduction</b>                      |  |   |
| <b>1</b>                                 | <p style="text-align: center;"><b>Understanding Channel Strategy</b></p> What is a marketing channel strategy<br>Who participates in a marketing channel<br>What are the key functions performed by marketing channels<br>Channel strategy framework | Chapter 1: Marketing Channel Strategy 8th ed. |
| <b>Designing Channel Strategies</b>      |  |   |
| <b>2</b>                                 | <p style="text-align: center;"><b>End-User Analysis: Segmenting and Targeting</b></p> Understanding the importance of segmentation<br>End-user segmentation criteria: Service Outputs<br>Segmentating end-users<br>Targeting end-users               | Chapter 2: Marketing Channel Strategy 8th ed. |
| <b>3</b>                                 | <p style="text-align: center;"><b>Channel Analysis: Auditing Marketing Channels</b></p> Channel audit criteria: Channel functions<br>Auditing channels: Using the efficiency template<br>Auditing channels: Using gap analysis                       | Chapter 3: Marketing Channel Strategy 8th ed. |
| <b>4</b>                                 | <p style="text-align: center;"><b>Make-or-Buy Channel Analysis</b></p> Tradeoffs of vertical integration<br>Make-or-buy options: Buying perspective<br>Make-or-buy options: Making perspective<br>Make-or-buy decision framework                     | Chapter 4: Marketing Channel Strategy 8th ed. |
| <b>5</b>                                 | <p style="text-align: center;"><b>Designing Channel Structures and Strategies</b></p> Channel intensity/selectively decision<br>Channel type decision<br>Dual distribution decision<br>Closing channel gaps  | Chapter 5: Marketing Channel Strategy 8th ed. |
| <b>Channel Structures and Strategies</b> |  |   |
| <b>6</b>                                 | <p style="text-align: center;"><b>Retailing Structures and Strategies</b></p> Retail structures<br>Retail positioning strategies<br>Multi-channel retail strategies<br>Adapting to the increasing power of retailers                                 | Chapter 6: Marketing Channel Strategy 8th ed. |
| <b>7</b>                                 | <p style="text-align: center;"><b>Wholesaling Structures and Strategies</b></p> Wholesaling structures<br>Wholesaling strategies<br>Adapting to trends in wholesaling  | Chapter 7: Marketing Channel Strategy 8th ed. |

| Session   | Topic  | Readings                                       |
|---|--|--|
| <b><i>Channel Structures and Strategies (con't)</i></b> |  |  |
| 8   | <p style="text-align: center;"><b>Franchising Structures and Strategies</b></p> Franchising structures<br>Franchising strategies<br>Adapting to trends in franchising  | Chapter 8: Marketing Channel Strategy 8th ed.  |
| 9   | <p style="text-align: center;"><b>Emerging Channel Structures and Strategies</b></p> Trends influencing marketing channels<br>Channel strategies for services<br>Channel strategies for globalization<br>Channel strategies for e-commerce | Chapter 9: Marketing Channel Strategy 8th ed.  |
| <b><i>Implementing Channel Strategies</i></b>           |  |  |
| 10  | <p style="text-align: center;"><b>Managing Channel Power</b></p> Nature of channel power<br>Using five sources of channel power<br>Dependence as the mirror image of power<br>Power based influencing strategies                           | Chapter 10: Marketing Channel Strategy 8th ed. |
| 11  | <p style="text-align: center;"><b>Managing Channel Conflict</b></p> Nature of channel conflict<br>Consequences of conflict<br>Major source of channel conflict<br>Conflict resolution strategies   | Chapter 11: Marketing Channel Strategy 8th ed. |
| 12  | <p style="text-align: center;"><b>Managing Channel Relationships</b></p> Nature of channel relationships<br>Building channel commitment<br>Building channel trust<br>Channel relationship lifecycle  | Chapter 12: Marketing Channel Strategy 8th ed. |
| 13  | <p style="text-align: center;"><b>Managing Channel Policies and Legalities</b></p> Market coverage policies<br>Customer coverage policies<br>Pricing policies<br>Ownership and termination policies  | Chapter 13: Marketing Channel Strategy 8th ed. |
| 14  | <p style="text-align: center;"><b>Managing Channel Logistics</b></p> Impact of channel logistics and supply chain management<br>Efficient channel logistics<br>Quick response logistics<br>Supply chain strategies                         | Chapter 14: Marketing Channel Strategy 8th ed. |

**PART III.**

**LEARNING OBJECTIVES AND TAKE-AWAYS BY  
CHAPTER**

# CHAPTER 1

## Understanding Channel Strategies

### LEARNING OBJECTIVES

After reading this chapter, you will be able to:

- Define a marketing channel.
- Explain why manufacturers choose to use intermediaries.
- Define the marketing functions that constitute the work of the channel.
- Identify the members of marketing channels and the functions in which they specialize.
- Outline the elements of a framework for marketing channel design and implementation.

### TAKE-AWAYS

- A marketing channel is a set of interdependent organizations involved in the process of making a product or service available for use or consumption.
- Both upstream and downstream factors affect the development of channels and provide reasons to adjust channels over time. Upstream factors include:
  - Routinization of transactions.
  - Reduction in the number of contacts.

Downstream factors include:

- Search facilitation.
- Sorting.
- Marketing functions are elements of work, performed by members of the marketing channel. There are nine universal channel functions:
  - Physical possession
  - Ownership
  - Promotion
  - Negotiation
  - Financing
  - Risk
  - Ordering
  - Payment
  - Information sharing

- A channel member can be eliminated from a channel, but the functions performed by that member cannot be. Before eliminating a channel member, the channel manager should consider the cost of replacing the performance of that member's channel functions.
- The key members of marketing channels are manufacturers, intermediaries (wholesale, retail, and specialized), and end-users (business customers or consumers).
- A framework for analyzing channel design and implementation is crucial for creating effective (i.e., demand satisfying) and efficient (i.e., cost effective) routes to market, in which members continue to be willing to perform the channel functions assigned to them (Figure 1-3).

## **CHAPTER 2**

### **End-User Analysis: Segmenting and Targeting**

#### **LEARNING OBJECTIVES**

After reading this chapter, you will be able to:

- Understand the central role played by end-users and their demands in the design of marketing channels.
- Define “service outputs” and identify and analyze them.
- Recognize how to divide a market into channel segments for the purposes of marketing channel design or modification.
- Understand how to target channel segments to optimize sales and profits.
- Evaluate when and whether to try to meet all expressed service output demands in the short run in a particular market.
- Describe the relationship between service output demands and solutions to overall channel design problems.

#### **TAKE-AWAYS**

- An end-user’s decision about where or from whom to purchase a product (or service) depends not just on *what* the end-user is buying but also on *how* the end-user wants to buy.
- The elements that describe *how* the product or service can be bought are called *service outputs*. Formally, service outputs are the productive outputs of the marketing channel, over which end-users exert demand and preference influences.
- A general list of service outputs, customizable to particular marketplace contexts, is:
  - Bulk breaking
  - Spatial convenience
  - Waiting time (or quick delivery)
  - Variety and assortment
  - Customer service
  - Information sharing
- End-users make trade-offs among different combinations of (a) product attributes, (b) price, and (c) service outputs offered by different sellers to make final purchase decisions.



- Segmenting the market by service output demands is a useful tool for channel design, because the resulting groups of end-users are similar (within each group) in terms of the channel that best serves their needs.
- The ultimate purpose of a service output end-user analysis and design is to identify and assess end-user segments, target a subset of the segments identified, and customize the marketing channel system solution used to sell to each targeted segment.

